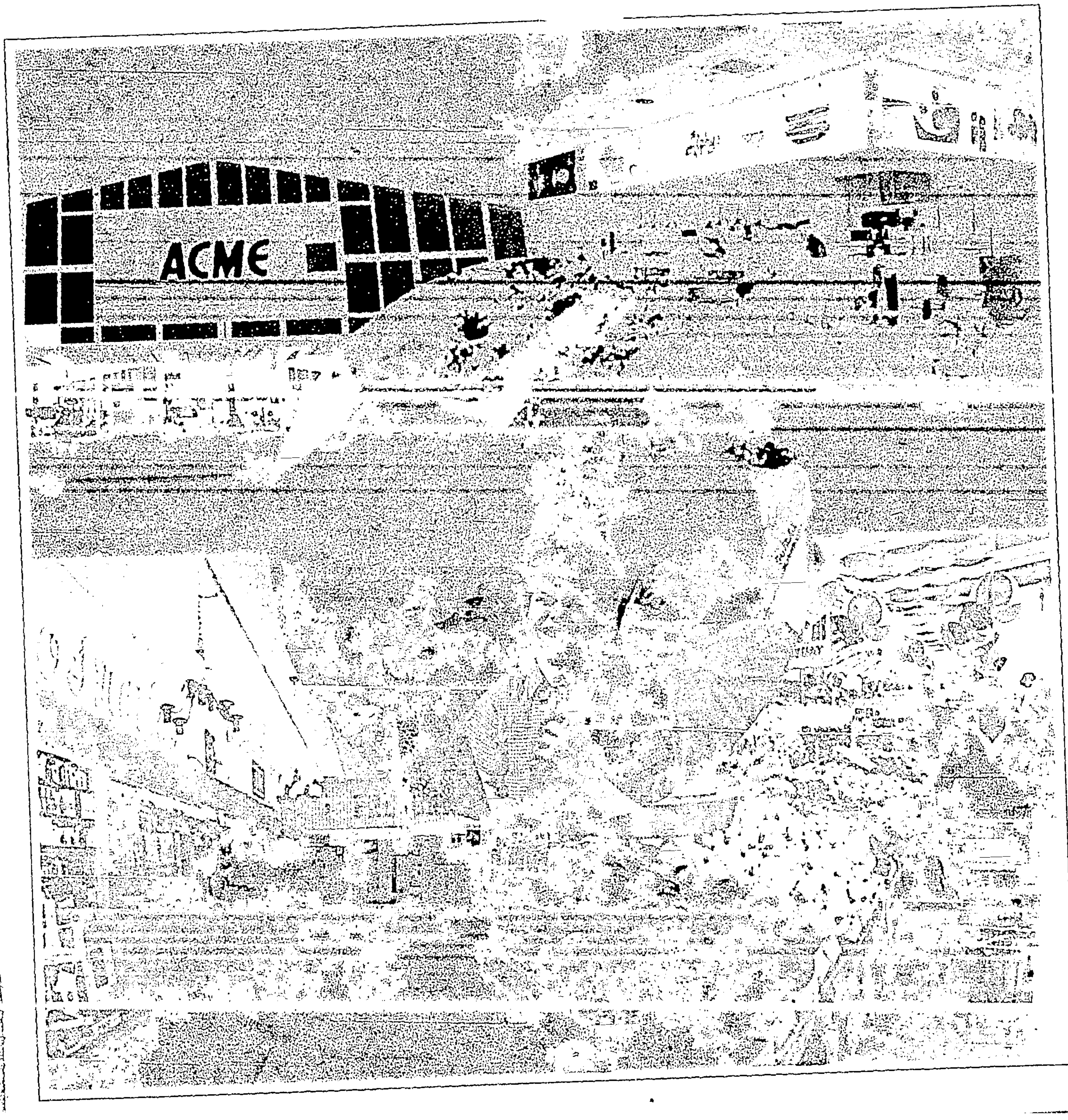
Acme Markets, Inc.

1970 Annual Report



Acme Markets, Inc.

1970 Annual Report

Fiscal year ended March 28, 1970

General Offices

124 North 15th Street
Philadelphia, Pa. 19102

Annual Meeting

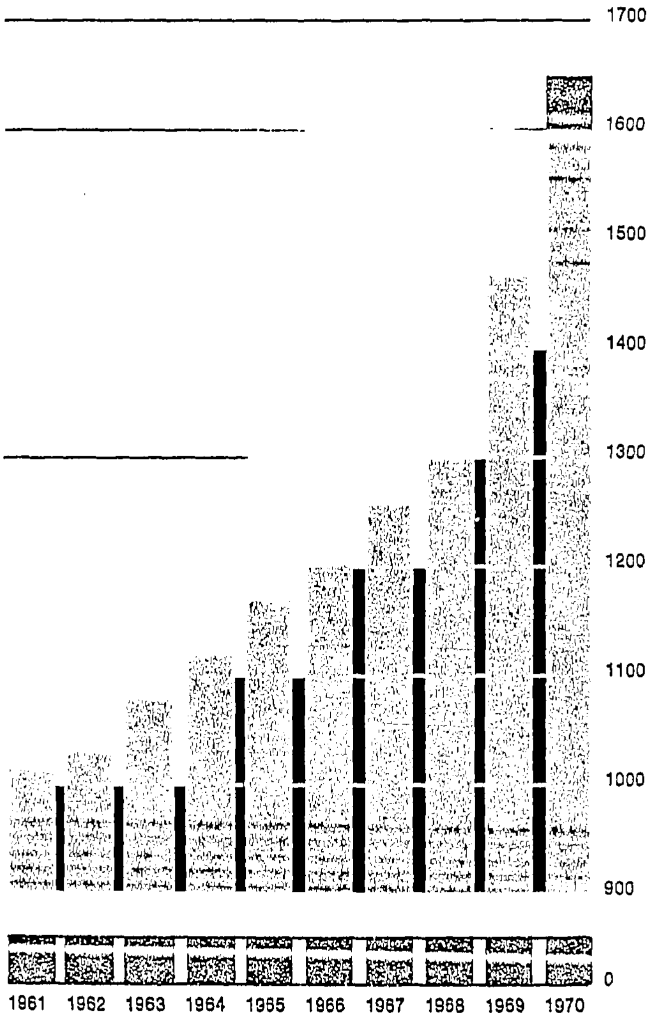
The annual meeting of shareholders will be held in the Burgundy Room of The Bellevue-Stratford Hotel, Broad & Walnut Streets, Philadelphia, Pa. on Wednesday, June 24, 1970, at 3 PM

Contents

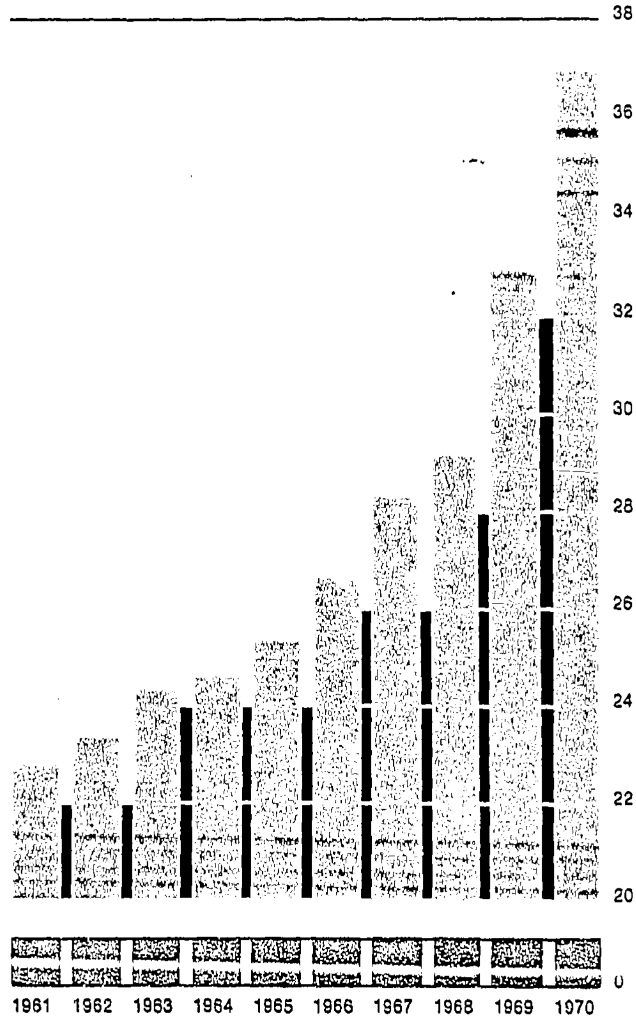
1970 Highlights

	1970	1969
Sales	$1,650,248,519	1,479,521,688
Net Earnings	$12,530,073	11,001,163
Earnings Per Share	$3.87	3.41
Shareholders' Equity Per Share	$54.56	52.63
Number of Shareholders	15,723	15,811
Number of Employees	35,283	32,050

Sales
Millions of Dollars

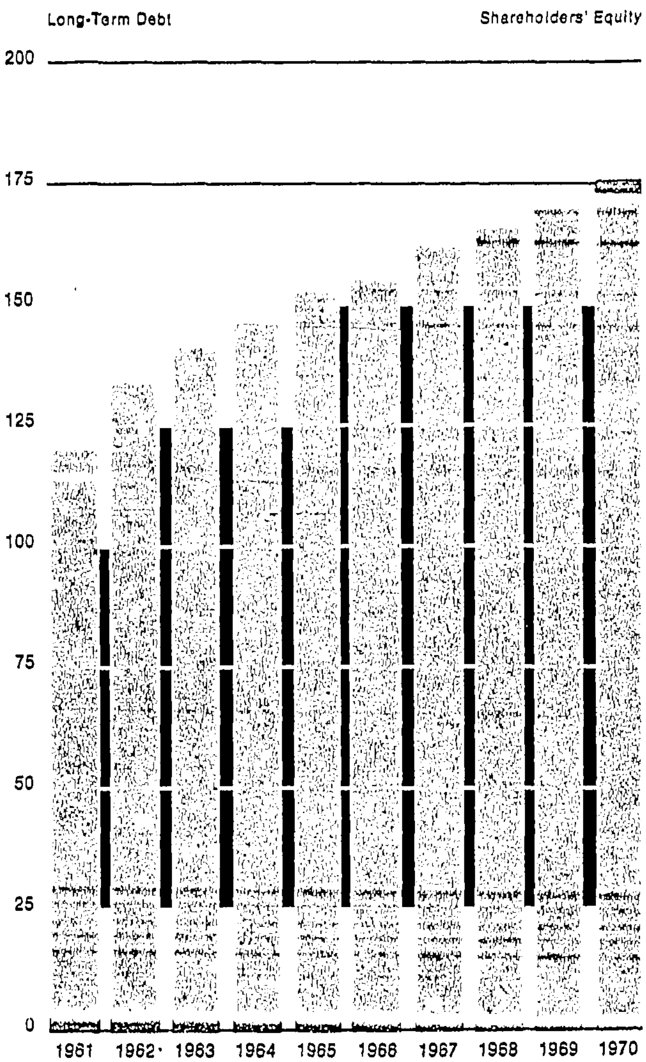


Average Weekly Sales Per Food Store
Thousands of Dollars

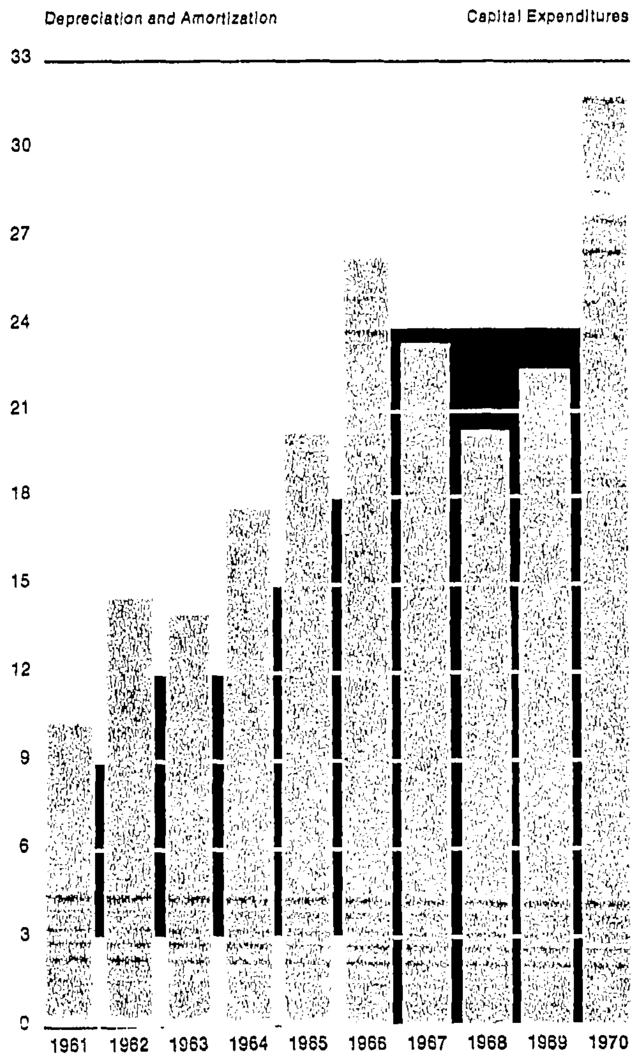


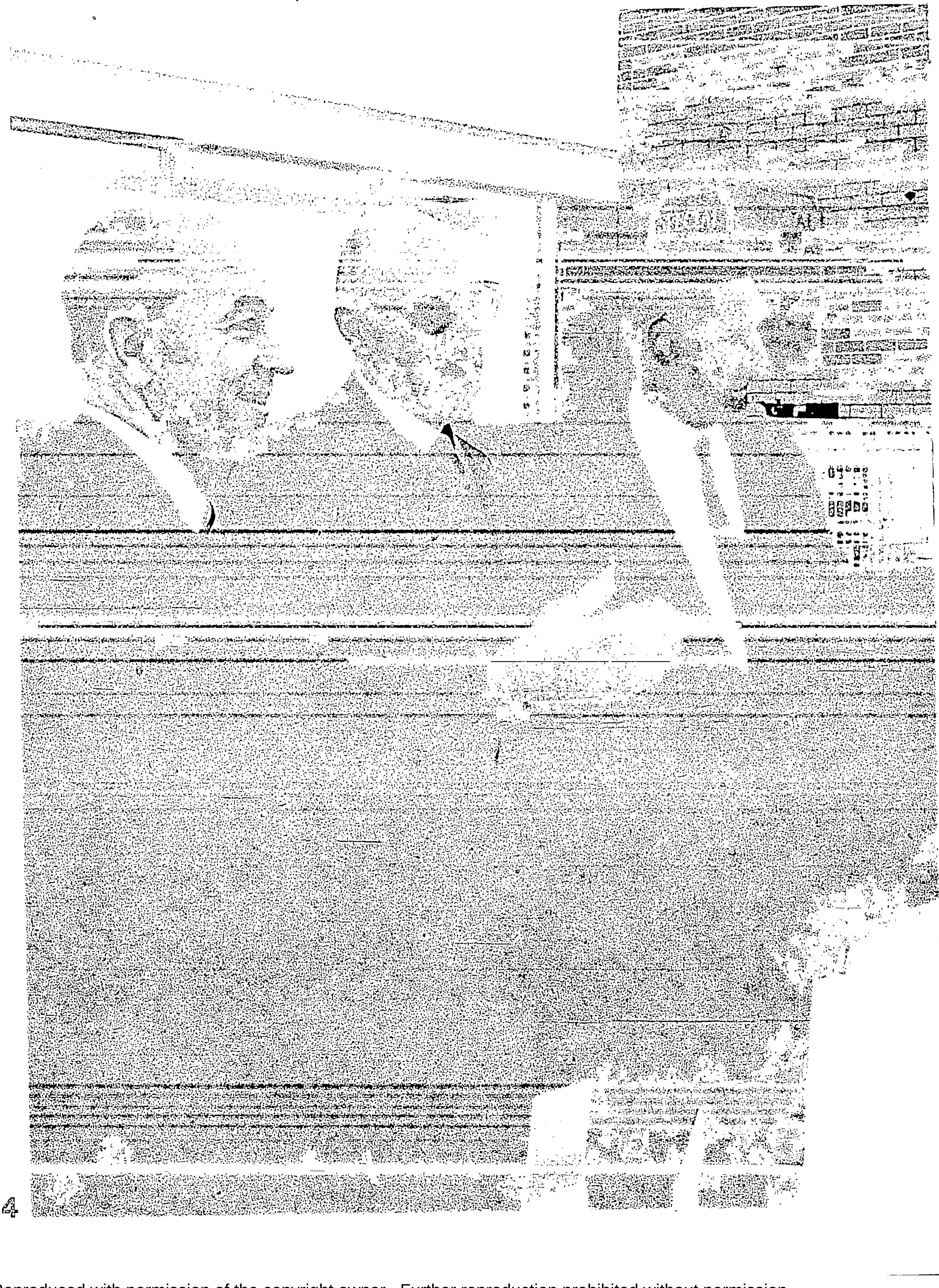
Retail Units in Operation	Fiscal year ended March 28, 1970 (with comparative figures for preceding year) 1970	1969
Food Stores	804	813
Rea & Derick Stores	64	62
Hy-Lo Stores	9	9
Discount Department Stores	4	3
Alphy's Coffee Shops	16	13
Total Food Store Sales Area (square feet)	9,272,190	9,139,983

Shareholders' Equity and Long-Term Debt
Millions of Dollars



Capital Expenditures and Depreciation
Millions of Dollars





Report to the Shareholders

Sales for the 52 weeks ended March 28, 1970 increased to $1,650,248,519, a gain over the preceding year of $170,726,831. This was the 32nd consecutive year in which sales increased over the previous year.

Earnings after taxes were $12,530,073 compared with $11,001,163, an improvement of $1,528,910 over the prior year. Earnings for the year were $3.87 per share on the average number of shares outstanding, compared to $3.41 per share adjusted for the 4% stock dividend paid March 28, 1970. A capital gain on the sale of certain real estate not used in the business contributed 12¢ per share to earnings for the year. Investment tax credits were 17¢ per share compared to 33¢ the previous year. The reduction in the Federal Income Tax Surcharge amounted to 4¢ per share, but this was more than offset by increases in state income taxes. Fiscal 1970 figures include Value Fair, the West Coast discount department store chain acquired during the year on a pooling-of-interests basis, and the 1969 figures have been restated accordingly.

All areas of the Company contributed to the improved results. Alpha Beta, in addition to continuing its growth in Southern California, has expanded its food store program in the San Francisco Bay Area, where nine stores are now in operation. Alpha Beta's Hy-Lo drug stores and Alphy's coffee shops continued to develop according to plan. In the East, both conventional Acme stores and Super Saver discount-type food stores moved forward. Rea and Derick Inc., the eastern drug store subsidiary, made a significant contribution to our advance.

During the year, certain moves were made to expand our ability to better serve the needs of the consumer. Mid-Atlantic Hardee, Inc., our fast-food restaurant franchising subsidiary, launched its restaurant opening program. Value Fair, a Los Angeles-based discount department store chain, was acquired. More information about these ventures appears later in this report.

On January 1, 1970, a new organizational structure was put into effect. Considering the growing complexity, size and diversity of the Company and in the interest of a most effective management structure, two executive vice presidencies were created. Clifford T. Haskell, who had been President of Alpha Beta Acme Markets, Inc., was elected Executive Vice President—Merchandising and Sales of the parent company. Thomas T. Oyler, who had been Vice President and Treasurer of Acme Markets, Inc., was elected Executive Vice President — Administration. Both of these men bring to their new positions wide experience in the retail food business. This new executive management alignment should not only improve our operational effectiveness but also aid in the development of sound future planning. William R. Deeley, Vice President and Treasurer of Alpha Beta Acme Markets, Inc., succeeded Mr. Haskell as President of that subsidiary. John G. C. Fuller, Assistant Treasurer of Acme Markets, Inc., moved up to the Acme Treasurer's position. We are pleased that our management development planning made these men ready to accept these important assignments.

Despite economic projections for a slower tempo in business activity in 1970, we expect improvement in both sales and earnings. With interest costs at an all-time high and other expenses, including taxes and labor costs, continuing to rise, sound management will be required in order to achieve our objectives. The new organizational structure will enable us to use more effectively both our human and financial resources as we enter the '70s.

We thank all the members of the Acme team for their fine contribution throughout the year, and are encouraged by their enthusiastic support and cooperation as we look ahead.

Respectfully submitted,

Paul J. Cupp

Chairman
Board of Directors

President
and Chief Executive Officer

Philadelphia, Pa., May 19, 1970

New Acme executive vice presidents, Thomas T. Oyler (left) and Clifford T. Haskell, tour new market with John R. Park, president and chief executive officer.

Annual Meeting

At the annual meeting in June, 87% of the shareholders were present either in person or by proxy. By a favorable vote of over 92% of the total number of shares voted, the capitalization of the Company was increased by the authorization of another 5,000,000 shares of common stock and 1,000,000 shares of new $1 par preferred stock. None of the additional authorized stock has been issued.

Dividends

Total cash dividends paid by the Company were the highest in its history, totaling $6,142,483, compared with $5,926,568 the previous year. Fiscal year 1970 marked the twenty-eighth consecutive year in which the Company has paid a regular quarterly cash dividend. The current cash dividend rate of $2.00 per year compares with $1.31 in 1961, on an adjusted basis.

(Left) Claude W. Edwards, Acme vice chairman of the board and Value Fair chairman, with Value Fair President Howard J. Schwartz.

(Center) John G. C. Fuller, new Acme treasurer.

(Right) William R. Deeley, new Alpha Beta president.

A 4% stock dividend was paid on March 28, 1970. This was the seventeenth consecutive annual stock dividend of the Company and involved the issuance of 125,290 shares valued at $5,011,600.

Financial Position

Working capital declined by $8,185,990 to $59,151,552 from the previous year. The ratio of current assets to current liabilities was 1.44 to 1 compared with 1.66 to 1 last year. Capital expenditures for the year were $32,021,936, an increase of $9,397,328 over the 1969 fiscal year.

Capital expenditures will total approximately $35,000,000 during the current year. The largest single item will be a bakery to be built for Alpha Beta at La Habra, California. Both interim construction and long-term financing for this facility have been arranged. Other working capital requirements will be provided by short-term bank borrowings, the sale of commercial paper, and the sale and leaseback of certain properties. However, to keep pace with the strong growth of the Company, other methods of long-term financing are being studied.

Store Program

During the year, 23 new food stores were opened. Of this number, four were Alpha Beta markets. Rea and Derick Inc., the eastern drug store subsidiary, opened two new stores. At the start of the current fiscal year, 28 stores were under construction. Included in this number are 15 Alpha Beta markets. With a large number under construction and a larger number of either leases signed or properties owned for store development, at least 35 new food stores should be opened during the current fiscal year. Rea and Derick plans 6 new stores this year.

Continuing the program of adding selling space to certain stores and modernizing others to provide better customer service, 11 stores were enlarged and 21 were remodeled. Plans for the current year call for 21 additions to existing stores and remodeling 43 others.

During the year Acme closed 32 food stores as part of the overall plan to present modern, attractive stores to the customer.

New Ventures

As of March 28, 1970, franchisees of Mid-Atlantic Hardee, Inc., the fast-food restaurant franchising subsidiary, had eight restaurants in operation. Construction is in progress on 11 other restaurants. By the end of this fiscal year, a total of 48 should be open.

The Los Angeles-based discount department store chain, Value Fair, added a store during the year. Currently, there are four stores open.

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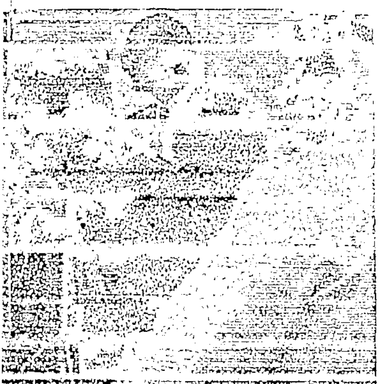


(Left) One of nine Hy-Lo drug stores operated by Alpha Beta.

(Right) William C. Ferguson, Acme's personnel vice president (third from right), inspects newly installed, closed-circuit, TV training equipment.

(Left) A FAD discount food market operated by Alpha Beta.

(Center) Gorden Griffith, Rea & Derick president, in prescription department of the Sunbury, Pa., drug store.

(Right) Typical Acme Super Saver market.

(Left) Checker training facility at Alpha Beta headquarters.

(Right) Franchise owners of new Hardee's restaurant near Wilmington, Del., Sidney Greisler and Sylvan Sostman.

Plans call for the addition of two stores during this fiscal year. The acquisition of Value Fair represents a further step for Acme in its program of greater diversification. The transaction involved a tax-free exchange of Acme common stock for the assets of Value Fair, with Acme using reacquired treasury stock. The management team of Value Fair, headed by Howard J. Schwartz, President and Chief Executive Officer, will direct the expansion of this subsidiary. Claude W. Edwards, Vice Chairman of Acme's Board of Directors, has become Board Chairman of Value Fair.

Facilities

A 150,000-square-foot addition to the Alpha Beta distribution center was completed in January, 1970. Land adjoining the Alpha Beta office and distribution center has been acquired and plans have been drawn for a new bakery to serve the Alpha Beta stores. This facility should be ready for operation in the latter part of 1971.

An addition to the distribution center is under construction to accommodate the increasing volume of the Wilkes-Barre, Pa., division. The square footage added will be about one-third of the existing space. The first and larger part will be completed during the summer, and the remaining part will be available before the end of the year.

Community Affairs

Acme's involvement and participation in the affairs of the communities it serves have long been a tradition. The Company and its people continually have demonstrated good citizenship in many ways. Of particular note have been the efforts to help the disadvantaged toward better employment and brighter futures. Not only have these undertakings resulted in more jobs, but particular emphasis also has been placed, through special and accelerated training programs, to enhance the opportunities for upward movement into the management ranks.

Personnel Development

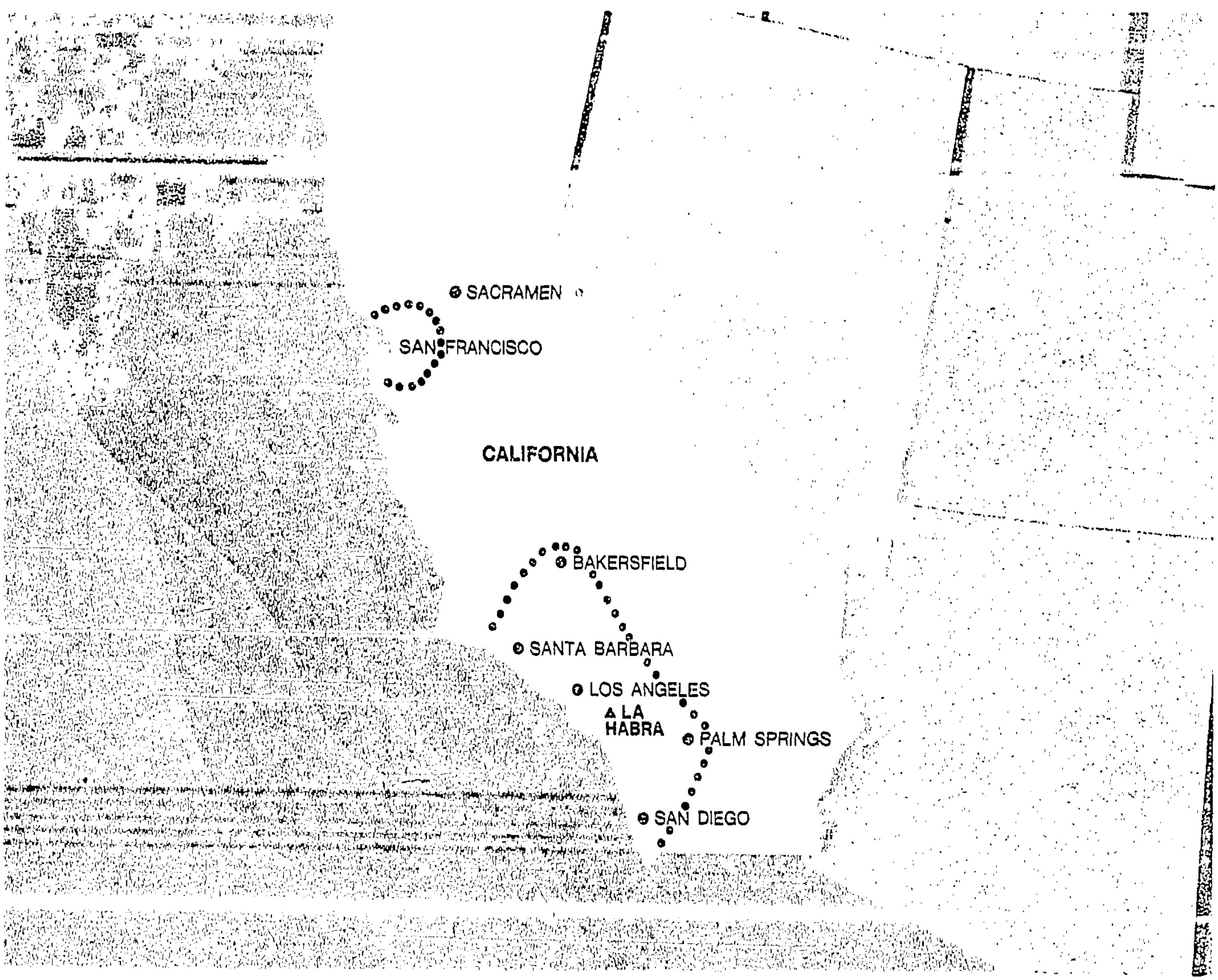
With over 35,000 employees at nearly 1,000 scattered locations, good employee communication is vital. Several Company publications help keep employees informed about corporate plans, aims, objectives and activities — with strong emphasis on human relations.

These publications seek to promote greater employee identification with the Company by emphasizing common needs and goals and by demonstrating how these can be met through mutual efforts. Job pride is fostered, as is the improvement of employee attitudes which affect every facet of the Company's operations.

A principal theme within the Acme family is Opportunity for Development. During the past year, several effective management and personal development programs have been introduced which are directed toward helping our employees prepare themselves for future growth and opportunity. Among these programs are Leadership Workshops, which bring exposure to new management techniques, a Market Employee Development Program designed to develop promising store employees, and a Store Manager Participation Program, which provides the opportunity for broader involvement in management affairs.

Existing programs, such as the Management Training Program for college graduates and skill training courses, have been improved and expanded. New training and education innovations have been utilized, including the use of a television videotape system and the development of Programmed Instruction to meet training needs.

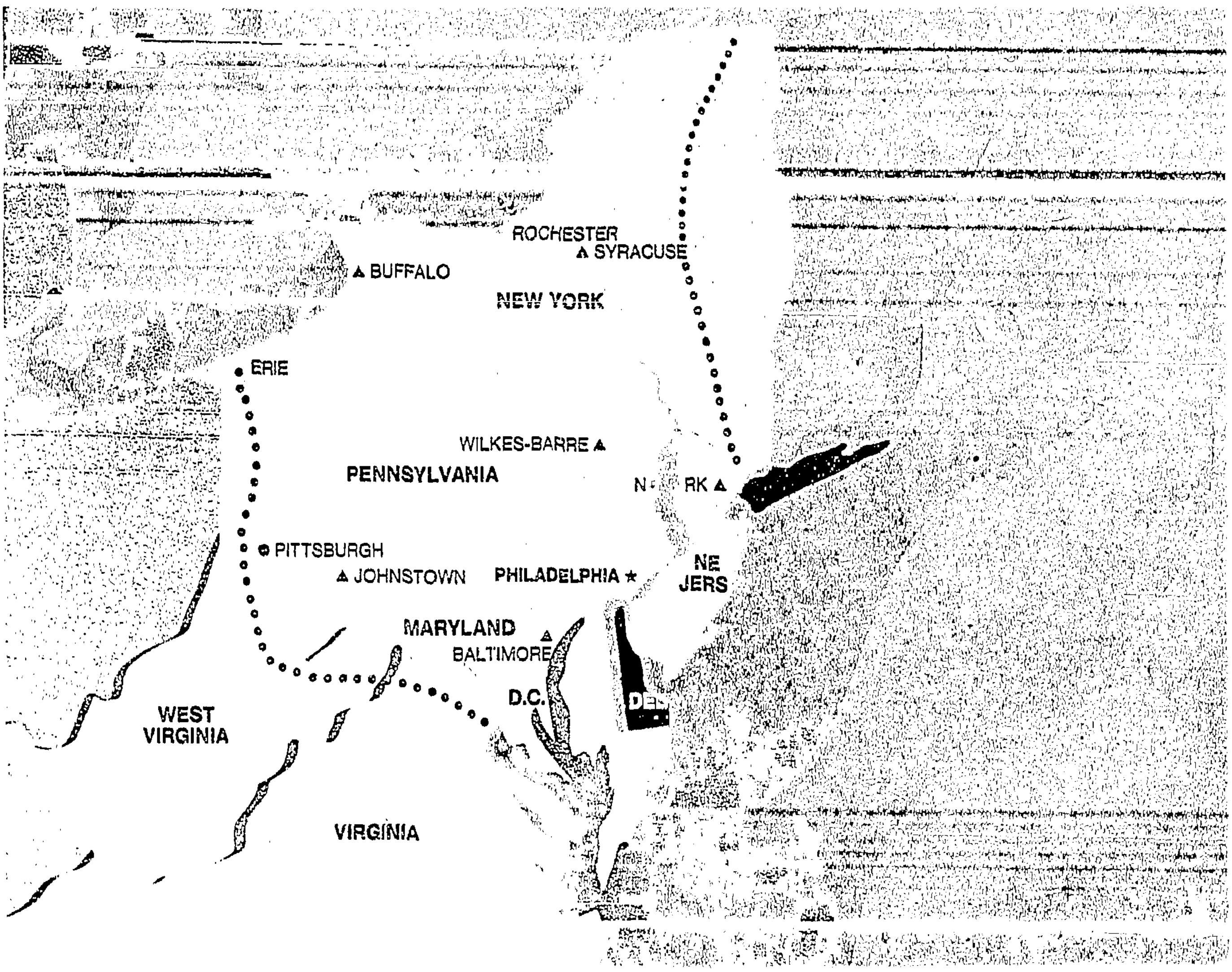
Plans currently are being made to extend training and development activities more fully into the warehousing and transportation activities.



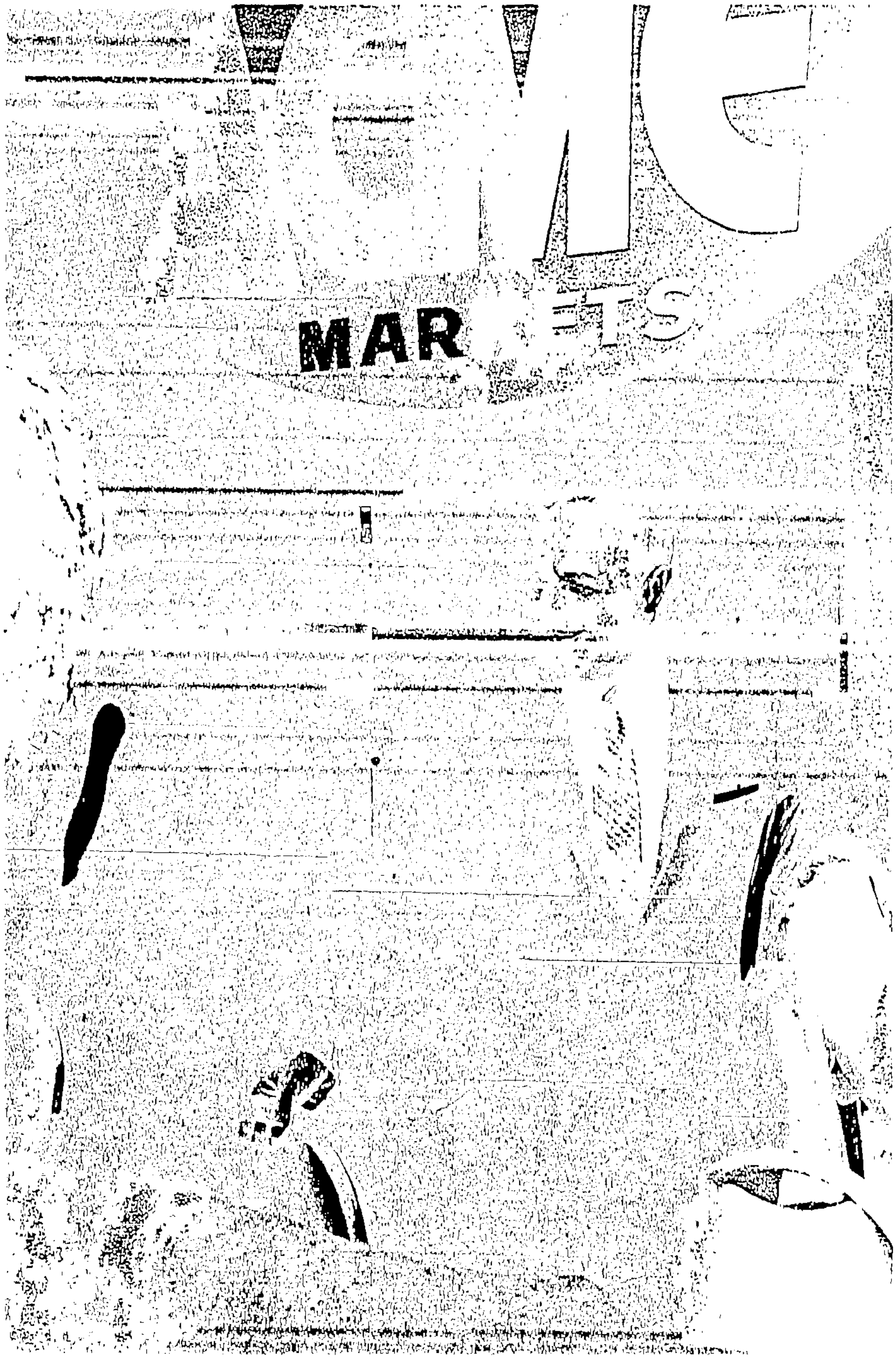
Number of Stores by States

Pennsylvania	334
New Jersey	158
Delaware	29
Maryland	73
New York	97
Virginia	13
West Virginia	5
District of Columbia	1
California	171
Total	881

★Philadelphia, Pa. Corporate Headquarters ▲Division Offices ••••Boundary of Marketing Areas



Ten Year Summary (a)



Paul J. Cupp, Acme chairman of the board, at annual shareholders' meeting.

Sales
Earnings before income taxes
Federal and State income taxes
Net earnings
Cash dividends
Earnings for year retained in business
Net earnings per sales dollar
Earnings per share of common stock (c)
Cash dividends per share of common stock (d)
Stock dividends
Current assets
Current liabilities
Working capital
Current ratio
Plant and equipment additions
Provision for depreciation and amortization
Net plant and equipment
Total assets
Long-term debt, less current instalments
Common shares outstanding at year-end
Common shareholders' equity:
Total
Per share (e)
Number of retail stores at year-end:
Food stores
Other stores
Total stores

1970	1969	1968	1967	1966	1965(b)	1964	1963	1962	1961
$1,650,249	1,479,522	1,302,075	1,261,137	1,206,807	1,161,198	1,118,685	1,081,061	1,034,879	1,011,489
25,830	22,271	15,962	16,655	18,848	24,314	28,120	27,091	28,230	27,543
13,300	11,270	7,332	7,067	8,281	11,430	14,530	14,030	14,900	14,870
12,530	11,001	8,630	9,588	10,567	12,884	13,590	13,061	13,330	12,673
6,142	5,927	5,815	5,564	5,348	5,127	4,924	4,680	4,439	4,377
6,388	5,074	2,815	4,024	5,219	7,757	8,666	8,381	8,891	8,296
0.76¢	0.74¢	0.66¢	0.76¢	0.88¢	1.11¢	1.21¢	1.21¢	1.29¢	1.25¢
3.87	3.41	2.68	2.96	3.23	4.03	4.19	4.04	4.14	3.95
1.92	1.89	1.85	1.76	1.68	1.60	1.52	1.45	1.38	1.31
4%	2%	2%	5%	5%	5%	5%	5%	5%	5%
194,101	169,766	155,835	139,024	145,456	140,200	140,533	131,413	124,839	117,195
134,950	102,428	85,819	81,219	72,420	63,901	62,267	56,396	56,683	51,614
59,151	67,338	70,016	57,805	73,036	76,299	73,266	75,017	68,156	65,581
1.44	1.66	1.82	1.71	2.01	2.19	2.26	2.33	2.20	2.27
32,022	22,625	20,856	23,638	26,198	20,085	17,590	13,505	13,752	10,129
16,750	15,018	14,257	13,726	12,802	11,834	10,843	10,464	9,694	9,032
138,963	121,142	114,646	114,221	110,602	97,881	89,673	83,022	80,719	76,736
336,448	298,998	277,931	260,861	259,003	240,461	232,968	217,327	209,064	196,069
12,656	14,306	14,844	5,191	15,743	11,737	12,910	14,080	16,801	18,378
3,238,972	3,103,900	3,041,165	2,987,254	2,869,415	2,680,992	2,588,208	2,459,730	2,334,129	2,214,849
176,713	169,898	164,776	162,290	159,369	154,263	148,947	140,096	131,481	122,338
54.56	52.63	51.08	50.21	48.89	48.23	45.94	43.31	40.79	38.09
804	813	827	827	854	878	883	862	845	840
77	74	67	63	50	51	—	—	—	—
881	887	894	890	904	929	883	862	845	840

All dollar amounts are expressed in thousands, except per share and per sales dollar figures.

(a) Fiscal year ends the Saturday closest to March 31. Figures for 1966 to 1969 have been restated for pooling of interests with Value Fair. Prior years are as originally reported.

(b) 53 week year; other years 52 weeks.

(c) Based on average number of shares outstanding during the year, adjusted for subsequent stock dividends.

(d) In each of the ten years, cash dividends were declared on shares of Acme Markets, Inc. common stock, then outstanding, at the rate of $2.00 per share. As computed above, per share cash dividends have been adjusted for subsequent stock dividends.

(e) Based on number of shares of stock outstanding at year-end, adjusted for subsequent stock dividends.

Accountants' Report

Peat, Marwick, Mitchell & Co.
Certified Public Accountants
1500 Walnut Street
Philadelphia, Pa. 19102

The Board of Directors
Acme Markets, Inc.:

We have examined the consolidated balance sheet of Acme Markets, Inc. and subsidiaries as of March 28, 1970 and the related statement of earnings and the statement of consolidated source and disposition of funds for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings present fairly the financial position of Acme Markets, Inc. and subsidiaries at March 28, 1970 and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of consolidated source and disposition of funds for the fiscal year ended March 28, 1970 presents fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

May 11, 1970

Statement of Consolidated Source and Disposition of Funds

Fiscal Year ended March 28, 1970 (with comparative figures for preceding year)

SOURCE:	1970	1969
Net earnings	$12,530,073	11,001,163
Charges against net earnings not involving the expenditure of funds:		
Depreciation and amortization	16,749,687	15,018,418
Deferred income taxes	9,000	(140,000)
Other	97,964	266,446
Total funds provided from operations	29,386,724	26,146,027
Long-term borrowing	403,182	1,068,412
Proceeds from sale and leaseback of addition to distribution center	1,761,301	—
Net book value of investment real estate, etc., sold	1,154,923	—
Proceeds from sales of common stock pursuant to exercise of options	10,531	3,799
Miscellaneous, net	301,903	260,730
Total source of funds	33,018,564	27,478,968
DISPOSITION:		
Expended for plant and equipment	32,021,936	22,624,608
Long-term debt falling due within one year	2,053,248	1,606,869
Cash dividends	6,142,483	5,926,568
Sundry investments	986,887	—
Total disposition of funds	41,204,554	30,158,045
Decrease in working capital	8,185,990	2,679,077
Working capital at beginning of year	67,337,542	70,016,619
Working capital at end of year	$59,151,552	67,337,542

Statement of Consolidated Earnings

Fiscal Year ended March 28, 1970 (with comparative figures for preceding year)

Acme Markets, Inc. and Subsidiaries

CURRENT EARNINGS	1970	1969
Sales	$1,650,248,519	1,479,521,688
Cost of sales and operating expenses:		
Cost of merchandise sold, including warehousing and transportation expenses	1,316,446,467	1,176,903,795
Wages, rents, advertising, administrative and other operating expenses	289,482,182	263,995,676
Depreciation and amortization (note 2)	16,749,687	15,018,418
	1,622,678,336	1,455,917,889
Operating profit	27,570,183	23,603,799
Other income (deductions):		
Non-operating items, net	632,514	151,652
Interest expense	(2,372,624)	(1,484,288)
Earnings before income taxes	25,830,073	22,271,163
Federal and State income taxes (note 4)	13,300,000	11,270,000
Net earnings	$ 12,530,073	11,001,163
Net earnings per share of common stock		
(1969 adjusted for stock dividend paid in 1970)	$3.87	3.41

EARNINGS RETAINED FOR USE IN THE BUSINESS		
Balance at beginning of year	$ 49,502,454	46,742,550
Restatement to give retroactive effect to company acquired in 1970 in a pooling of interests	—	387,349
Adjustment to conform accounting period of pooled company	(69,951)	—
Net earnings for the year	12,530,073	11,001,163
	61,962,576	58,131,062
Deduct:		
Cash dividends—$2 a share (equivalent to $1.92 on increased shares after issuance of stock dividends; 1969—$1.89)	6,142,483	5,926,568
Stock dividend—4% (1969—2%)	5,011,600	2,702,040
	11,154,083	8,628,608
Balance at end of year	$ 50,808,493	49,502,454

See accompanying notes to financial statements.

Consolidated Balance Sheet

March 28, 1970 (with comparative figures for 1969)

ASSETS	1970	1969
Current assets:		
Cash	$ 40,496,377	29,747,576
Receivables	10,546,146	8,809,779
Inventories, at lower of cost (average or first-in, first-out) or market	132,900,125	123,532,775
Prepaid expenses	7,569,631	5,887,906
Store properties covered by investors' commitments to purchase	2,589,096	1,787,935
Total current assets	194,101,375	169,765,971
Investments and other assets, at cost or less	3,383,206	8,090,535
Plant and equipment, at cost:		
Land	23,813,340	18,444,119
Buildings	63,838,267	52,699,234
Machinery, equipment and fixtures	121,886,879	114,419,681
Leasehold costs and improvements	21,930,933	20,358,497
	231,469,419	205,921,531
Less accumulated depreciation and amortization (note 2)	92,506,007	84,779,867
Net plant and equipment	138,963,412	121,141,664
	$336,447,993	298,998,170

See accompanying notes to financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	1970	1969
Current liabilities:		
Notes payable, short-term	$ 22,756,064	650,592
Current instalments of long-term debt (note 3)	2,030,700	1,606,869
Accounts payable	84,031,050	72,847,022
Accrued expenses	22,662,222	21,260,602
Federal and State income taxes	3,469,787	6,063,344
Total current liabilities	134,949,823	102,428,429
Long-term debt, excluding current instalments (note 3)	12,655,781	14,305,847
Deferred income taxes (note 4)	10,915,000	10,906,000
Reserve for self insurance, deferred investment credit, etc.	1,214,546	1,460,304
Shareholders' equity:		
Preferred stock of $1 par value. Authorized 1,000,000 shares in 1970; issued none	—	—
Common stock of $1 par value. Authorized 10,000,000 shares (1969—5,000,000 shares); issued 3,257,530 shares (1969—3,131,994 shares) (note 5)	3,257,530	3,131,994
Capital in excess of par value of common stock (note 6)	123,500,795	118,607,643
Earnings retained for use in the business, less amount capitalized through stock dividends	50,808,493	49,502,454
	177,566,818	171,242,091
Less 18,558 shares common treasury stock, at cost (1969—28,094 shares) (note 1)	853,975	1,344,501
Total shareholders' equity	176,712,843	169,897,590
	$336,447,993	298,998,170

1. Acquisition of Value Fair. On September 8, 1969, the company acquired the assets and business of Value Fair subject to its liabilities, in exchange for 81,250 common treasury shares. This acquisition has been treated as a pooling of interests and the financial statements include the accounts of Value Fair for the entire fiscal year. For comparative purposes, the 1969 financial statements have been restated to include the accounts of Value Fair for its fiscal year ended July 27, 1969.

2. Depreciation Policy. Depreciation and amortization charged to earnings for financial statement purposes are generally computed using the straight-line method applied to individual property items. However, for income tax purposes, depreciation is computed by accelerated methods applied to composite groupings of assets.

3. Long-term Debt. A summary of long-term debt at March 28, 1970 is shown below:

	Total	Current Instalments	Long-term
5¾% notes payable due August 1, 1975	$ 8,800,000	1,600,000	7,200,000
Other notes payable	1,334,894	211,617	1,123,277
Purchase agreement	4,551,587	219,083	4,332,504
	$14,686,481	2,030,700	12,655,781

The 5¾% notes are to be repaid in equal quarterly instalments of $400,000. Among other things, the terms of the loan agreement require the company to maintain consolidated net working capital of not less than $45,000,000. Since working capital at March 28, 1970 amounted to $59,151,552, earnings retained for use in the business to the extent of $14,151,552 were free of restriction as to the payment of cash dividends.

The other notes payable bear interest at various rates, generally from 4% to 7%, are to be repaid by 1988 and are in part secured by deeds of trust on certain real estate. The purchase agreement relates to a distribution center property and requires equal semi-annual payments through 1986 applied first to interest (currently 2⅞%) and the remainder to principal.

For information regarding planned capital expenditures and related financing see "Financial Position" under Year in Review on page 7.

4. Income Taxes. In accounting for income taxes, the company recognizes the tax effects of all timing differences, principally relating to accelerated depreciation and reserves not currently tax deductible. For the year ended March 28, 1970, $9,000 was added to deferred taxes for taxes not currently payable. Net tax timing differences in fiscal 1969 required a $140,000 charge against the deferred income tax account.

Federal income tax expense has been reduced by $540,000 and $1,050,000 for the years ended in 1970 and 1969, respectively, by reason of the investment credit provisions of the Revenue Act. Credits for 1964 and prior, which were deferred, are being amortized over the estimated lives of the related assets.

The Federal income tax returns of the company for its 1963 and 1964 fiscal years have been examined by the Internal Revenue Service, and an examination is currently in progress for 1965-1967. During the year, the company settled and paid certain tax deficiencies for fiscal 1963 and 1964 arising primarily out of capitalization of certain types of improvements. The examining agents have proposed additional adjustments for such years, including the extension of lives used in computing depreciation of buildings and leasehold improvements, which the company is contesting. Any additional tax related thereto would have no effect on net earnings or retained earnings because such adjustments would represent timing differences and payments would be applied against deferred income taxes.

5. Stock Options. Under the company's stock option plans approved by the shareholders in 1952 and 1964, there were outstanding at March 28, 1970 options granted to 75 officers and key management employees to purchase 101,107 shares common stock at prices ranging from $36.53 to $54.87, such prices being either 95% or 100% of market price on the respective dates of granting, adjusted for subsequent stock dividends. The options are exercisable on a cumulative basis over a period of five years or less and expire on or before December 18, 1974. The changes in options outstanding during the year are summarized as follows:

Shares under option at March 29, 1969	95,955
Additions (deductions) in 1969-1970:	
Options granted	19,900
Options exercised at $37.99 and $47.95 a share	(246)
Options expired or terminated	(18,341)
Options increased by reason of 4% stock dividend paid March 28, 1970	3,839
Shares under option at March 28, 1970 (at an average option price of $41.59)	101,107

Under the 1964 option plan, an additional 45,656 shares common stock were reserved for future option grants.

6. Capital in Excess of Par Value of Common Stock. Changes in capital in excess of par value of common stock are as follows:

	1970	1969
Balance at beginning of year	$118,607,643	118,736,928
Restatement to give retroactive effect to company acquired in 1970 in a pooling of interests, including related expenses	—	(2,816,814)
Excess of assigned value over par value of 125,290 shares common stock issued as a stock dividend (1969—61,410 shares)	4,886,310	2,640,630
Excess of sales proceeds over par value of 246 common shares sold pursuant to exercise of stock options (1969—100 shares)	10,285	3,699
Stated value of common stock issued as bonus by acquired company prior to pooling	—	43,200
Excess of cost over market value of 10,000 common treasury shares issued for investment in Trilog Associates, Inc.	(3,572)	—
Excess of fair market value over cost of 250 common treasury shares issued as bonus	129	—
Balance at end of year	$123,500,795	118,607,643

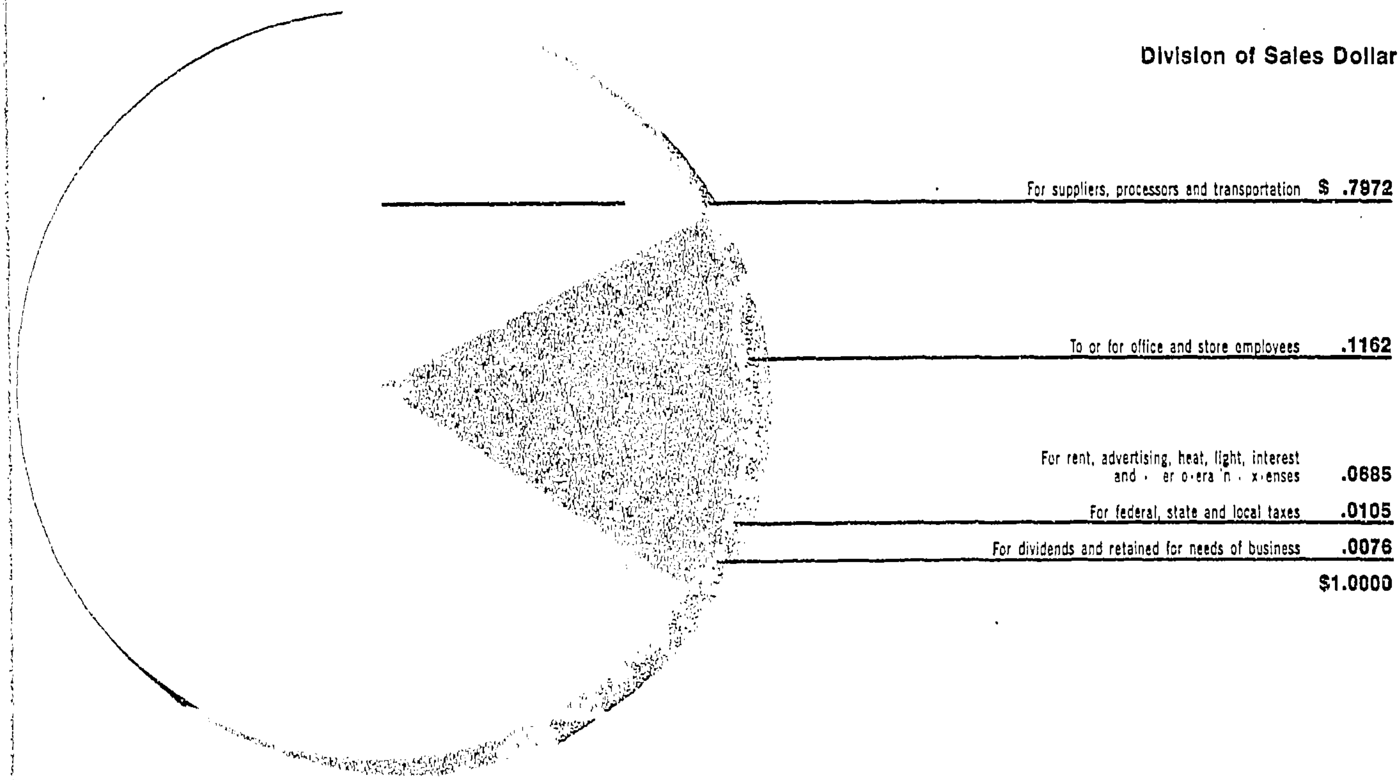
7. Lease Commitments. At March 28, 1970, the company and subsidiaries were lessees under 935 leases, including 70 leases for stores not yet opened, covering retail locations and certain distribution center properties. Rent expense was $22,977,000 for the year ended March 28, 1970 and aggregate future rental commitments (excluding taxes, insurance and maintenance expenses where payable by the lessee) are approximately as follows for the periods indicated:

April 1, 1970-March 31, 1975	$97,612,000
April 1, 1975-March 31, 1980	66,764,000
April 1, 1980-March 31, 1985	41,426,000
April 1, 1985-March 31, 1990	17,276,000
After March 31, 1990	4,068,000

Most of the leases contain renewal options which give the company the right to extend the lease for varying additional periods, often at reduced rentals.

8. Pension Plans. Substantially all employees of the company and its subsidiaries are covered by funded pension plans. Employees who are members of bargaining units are covered by union-negotiated pension plans to which the company makes contributions based on hours worked. For other eligible employees, the company provides pension benefits through group annuity contracts with a life insurance company. The total charge to earnings for all plans (including amortization of prior service cost over periods ranging to 40 years) for the year ended March 28, 1970 was approximately $6,578,000 compared with $5,819,000 for the preceding fiscal year.

Division of Sales Dollar



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Vice President

John R. Park
President
and Chief Executive Officer

Paul J. Cupp
Chairman
Board of Directors

A. J. Faulhaber
Vice President

Arthur C. Kaufmann
Chairman
Board of Directors
Arthur C. Kaufmann
and Associates, Inc.

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Treasurer

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Rowland G. Weber
Assistant Secretary

Ellen M. Campbell
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Stock Exchanges
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